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FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC PRIORITY 3035
INFO RUEHHH/OPEC COLLECTIVE
RUEHAC/AMEMBASSY ASUNCION 1000
RUEHBO/AMEMBASSY BOGOTA 7994
RUEHBR/AMEMBASSY BRASILIA 6141
RUEHBU/AMEMBASSY BUENOS AIRES 1772
RUEHLP/AMEMBASSY LA PAZ 2891
RUEHPE/AMEMBASSY LIMA 1174
RUEHSP/AMEMBASSY PORT OF SPAIN 3707
RUEHQT/AMEMBASSY QUITO 2988
RUEHSG/AMEMBASSY SANTIAGO 4118
RUEHDG/AMEMBASSY SANTO DOMINGO 0646
RHEHNSC/NSC WASHDC
RHEHAAA/WHITEHOUSE WASHDC
RHEBAAA/DEPT OF ENERGY
RUCPDOG/DEPT OF COMMERCE
RUEATRS/DEPT OF TREASURY
RUMIAAAA/HQ USSOUTHCOM MIAMI FL

C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 000592

SIPDIS

ENERGY FOR CDAY AND ALOCKWOOD, DOE/EIA FOR MCLINE
HQ SOUTHCOM ALSO FOR POLAD
TREASURY FOR RJARPE
COMMERCE FOR 4332/MAC/WH/JLAO
NSC FOR RKING

E.O. 12958: DECL: 05/11/2019
TAGS: [EPET](#) [EINV](#) [ENRG](#) [ECON](#) [VE](#)
SUBJECT: PDVSA: UPDATE ON SERVICE COMPANY SEIZURES

REF: CARACAS 581

Classified By: Acting Economic Counselor Richard T. Yoneoka, for reasons 1.4 (b) and (d).

11. (C) SUMMARY: Legal uncertainty surrounds the Venezuelan government's (GBRV) actions on May 8 regarding the seizure of oil service companies. According to PDVSA, it assumed operational control of sixty firms, but the resolution dated May 8 listed only 39 companies, and did not include international firms Williams and Wood Group. Furthermore, companies lack clarity as to what being included in the resolution means. Company officials continue to seek opportunities for discussion with PDVSA and GBRV officials. END SUMMARY.

12. (C) The Gaceta Oficial (Federal Register equivalent) for May 8 included an Energy and Mines Ministry (MENPET) resolution calling for the inclusion in the GBRV,s reserve of 39 companies, including U.S. firm Tidewater. President Chavez and other government leaders claimed nearly 60 companies were taken over on May 8. Since neither Wood nor Williams is on the list, there is likely another resolution that includes them but has not been published. Tidewater confirmed three National Guardsmen control access to its base on Lake Maracaibo. Even though Tidewater continues "operations", there is no activity at their base since PDVSA is operating launches and boats out of other marina facilities. Tidewater,s crews have stopped daily reports to base. Even though it is listed in MENPET,s resolution, Tidewater officials do not know what it actually means as their legal status remains unclear. They have not been expropriated, but neither are they in control. The company's strategy is to be cooperative and attempt to clarify their position.

13. (C) Likewise, U.S. firm Exterran is having difficulty confirming what has actually happened to their facilities. They continue operating, including the La Concepcion

injection facility on Lake Maracaibo. PDVSA officials visited the La Concepcion facility the afternoon of May 7 and said they were planning for a "friendly" transition. They indicated there would be a symbolic transfer to PDVSA on May 8, but that did not happen. There is a rumor that the PDVSA officials jumped the gun and that Exterran was not to be targeted (though they fit the new law's parameters as a water injection service company). PDVSA officials told Exterran staff that the National Guard would eventually assume access control to its facilities (no further details). The La Concepcion facility provides injection services for the Petrowarao joint venture (Perenco 40%, PDVSA 60% ownership). Of the JV's 9,000 b/d in production, 8,000 b/d is attributable to the water injection services of Exterran. The company official stated that it is looking at three options: (1) survive and make no money; (2) complain and get expropriated; and (3) assuming the first option is not sustainable and the second not palatable, they are searching for an alternative.

14. (C) A Williams official confirmed that PDVSA DID NOT/DID NOT seize the Accroven facility. Reports that PDVSA seized three of Williams, plants are accurate) it took the El Furrial Medium Pressure and El Furrial High Pressure plants (two facilities in one project) and Pigap II. Williams still does not have any clarity as to their legal status. According to company officials, injection operations at El Furrial are roughly responsible for 225,000 b/d and Pigap II for 300,000 b/d in crude production for a total of 500,000 b/d. Given international estimates that Venezuela is

CARACAS 00000592 002 OF 002

producing just over 2 million b/d; Williams, share approaches 25% of total production.

15. (C) COMMENT: Companies are trying to determine their legal standing and calculating responses and strategies. They continue to cooperate with GBRV and PDVSA officials. Absent clear information from PDVSA, this process could be dragged out for some time (which would allow PDVSA to avoid paying arrears to these companies).
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